

Dried Fish Exports to Japan, Korea, China, Singapore, and Taiwan

September 1998

Submitted by
Greg Galik
AADLAND Marketing
3300 "C" Street (Suite 200)
Anchorage, Alaska 99503
T 907-561-2009
F 907-562-8647E
aadland@alaska.net

Introduction

AADLAND Marketing Group of Anchorage, Alaska, was asked by Duff Mitchell of Alaskan Dried Foods to conduct a survey and review of the procedures for the exportation of dried fish products to the following countries:

- Japan
- Korea
- China
- Hong Kong
- Singapore
- Taiwan

The scope of our assignment was to secure all pertinent information concerning the packaging and selling of dried fish products in these countries. In addition, samples of the products were to be evaluated for size, packaging, coloring, and presentation.

Japan

Recent economic conditions and fluctuations in the yen exchange rate in Japan have helped make a product's price an important issue to the Japanese consumer. Consumers still find a product's attributes and quality important, and most are still willing to pay more for superior quality. However, the idea of a "bargain" and considerations of value are new concepts that appear to be here to stay in Japan.

Over the past two years, two major changes have affected the Japanese food industry. First, specific agricultural and food products have been deregulated and tariffs are being reduced in compliance with the GATT Uruguay Round December 1993 Accord. The second change is the decline in the prices of processed food. Under GATT, Japan agreed to convert all import bans and quotas to tariffs (rice excepted) and to reduce all tariffs over the 1995-2000 period. Prices have declined some 3.6% since 1995 and are moving lower, particularly in chain stores.

Certain seafood products are still subject to import quotas. These products include herring, cod, yellowtail, mackerel, sardines, horse mackerel, saury pike, boiled and dried *small fish*, scallops, adductors of shellfish, and cuttlefish. To import these products, importers must have been assigned an import quota. All of the products are lumped together in one commodity classification -- seafood. Import quotas are assigned in terms of value on a semi-annual basis. For this reason, it is difficult for eligible importers to plan to import a particular product in terms of quantity. In response to importer discontent, separate quantity quotas were assigned on an annual basis for the importing of mackerel and horse mackerel beginning in 1997. The ministry is considering assigning separate, annual quotas for

other products in the seafood category as a further step toward deregulation. The Japanese importer will be aware of these regulations and will work with the seller to satisfy terms of the quotas.

The Food Sanitation Law stipulates that all seafood products entering Japan be reported. In addition, imported seafood products are required to pass a food inspection quarantine. The quarantine includes a visual inspection, sampling for substance testing, and other tests. Salmon and trout are free-trade products except for those produced in certain regions or shipped from certain ports. For products shipped from China, North Korea, and Taiwan, the Ministry of International Trade and Industry must give prior approval.

Tariff Rates: As of January 1, 1998, U.S. products will incur tariffs at the rate in the WTO-2 column given in the official importation document. If this figure is in parentheses, the figure in the general column is used. Rates are applied on the CIF value. A consumption tax of 5% is applied at the retail level. If the imported product is shipped directly to the end user, the tax is applied at the time of entry on the CIF plus duty value.

Tariff rates for some dried fish products follow:

HS	Product	Tariff Rate
0305.20-090	Dried, salted, or brined (other fish)	3.0 or free
0305.30-010	Fish fillet, dried, salted, or brined (salmonidae)	9.1
0305.30-090	Fish fillet, dried, salted, or brined (other fish)	11.4
0305.59-010	Dried fish (salmonidae)	9.1
0305.59.010	Dried fish (herring, cod, yellowtail...saury pike)	15.0
0305.59-090	Dried fish (others)	11.4

Customs administration officer for Japan:

Mr. Hiroshi Arichi, Director
International Trade Organizations Division
Ministry of Finance
3-1-1, Kasumigaseki
Chiyoda-ku, Tokyo 100
Japan
Fax: 81-3-5251-2123

Dried Fish Packaging: Dried fish are usually placed in Styrofoam boxes. Twelve to twenty-four pieces of the dried fish are placed in a Styrofoam box and four to five of these boxes are put into a hard paper box (48-120 pieces of dried fish per hard paper box). The number of dried fish in a Styrofoam box differs depending on the type and species of the fish.

The other major packaging types include plastic and cellophane bags. Most of these product packages contain oxygen absorbers or employ some form of modified atmosphere packaging. One to three dried fish are put in a plastic bag and 20-30 plastic bags are placed in a large Styrofoam box.

Example of Japanese product (in plastic bags) in retail shelf display



It is estimated that over 90% of the packaging of dried fish in the Japan market are packed in these two styles. Following below are typical packaging parameters:

Product	Box Size	Dimensions (millimeters)
Dried mackerel/pike	Large	490x300x310
	Small	490x300x290
Dried horse mackerel	Large	490x290x310
	Small	490x290x290

	Piece Size	Unit: wholesale
Dried horse mackerel	120g	18 pieces in tray
		1 piece in tray x 30 in carton box
		2 piece in tray x 25 in carton box
		3 piece in tray x 25 in carton box
Dried horse mackerel	80g	20 pieces in tray
		1 piece in tray x 30 in carton box
		2 piece in tray x 30 in carton box
		3 piece in tray x 30 in carton box
Dried skipper or samma	120g	16 pieces in tray x 5 in carton box
		2 pieces in tray x 20 in carton box
		3 pieces in tray x 16 in carton box

Rockfish or akaao	250g	1 piece in tray x 20 in carton box
Atka-mackerel or hokke	250g	1 piece in tray x 20 in carton box 1 piece in tray x 12 in carton box
Pacific mackerel or saba	240g	1 piece in tray x 12 in carton box 16 pieces in tray x 5 in carton box (per 135g)
Sole or karei	70g	26 pieces in tray x 8 in carton box 2 pieces in tray x 20 in carton box 3 pieces in tray x 20 in carton box
Sole or karei with eggs	190g	1 piece in tray x 12 in carton box
Sandfish or hatahata	40g	50 pieces in tray x 8 in carton box 3 pieces in tray x 40 in carton box 70 pieces in tray x 2 in carton box 10 pieces in tray x 4 in carton box (per 170g)
Sardine or maiwashi	220g	2 pieces in tray x 20 in carton box 3 pieces in tray x 20 in carton box 8 pieces in tray x 20 in carton box (per 170g)
Frog-flounder or meitakarei	180g	2 pieces in tray x 12 in carton box

Sea pike or kamasu	180g	2 pieces in tray x 12 in carton box
Butterfish or ebodai	150g	2 pieces in tray x 12 in carton box
Tarako	100g or 120g	1 pack tray x 30 in carton box

Japan - Example of Dried Fish (Salmon) Merchandising - Retail Display:



Manufacturing and Packaging: Manufacturers of dried fish products procure the required raw materials from domestic and overseas sources. When the materials are obtained from domestic sources, fresh fish is often used. Manufacturers importing foreign product use frozen raw fish. Manufacturers ship out the dried fish to wholesale markets and supermarkets. Large national supermarkets buy popular dried fish items directly from the manufacturers. However, the majority of the dried seafood production from the manufacturers goes through the wholesale market.

Dried fish are typically packed onto white Styrofoam trays and covered with transparent vinyl wrapping in retail preparation rooms and then displayed in the stores. Occasionally, brown trays are used, but these are not as common as the white variety. Tray size tends to vary. One to three pieces of dried fish are packed onto a tray (the so-called “in-store” pack). Packaging in plastic bags (“out-pack”) eliminates the need for “in-store” packing by the retailer. Consumers prefer plastic bags because this packaging is perceived to be more environmentally sensitive than Styrofoam trays. Retailers are becoming accustomed to handling increased volumes of “out-pack” product in plastic bags.

Pet Food Market: Until 1992, the Japanese pet food industry had enjoyed double-digit growth for almost 20 years. Then, a subtle change began. While volume continued to grow, revenues slowed as price competition intensified. Margins are expected to continue to erode due to this competition. More recently, both volume and revenues have been sluggish. The total size of the pet food market in 1996 was \$US 7 billion for an estimated population of 10 million dogs and less than 8 million cats. An aging population needing companionship is expected to increase this market. Most raw material for the production of pet food is imported, including fish. According to the Yano Economic Institute, the total number of retailers handling pet products in Japan is 65,000. Retailers range from home centers, general merchandisers and supermarkets to pet shops and convenience stores. A new development in Japan is that of the “Pet Super Store” - large-scale stores with 3,000-10,000 customer visits per day.

Japan: Pet Food Sample Package – Retail Display:



Additional information can be obtained from:

Ministry of Agriculture, Forestry and Fisheries (MAFF)

Bureau of Commercial Feed Division

1-2-1 Kasumigaseki, Chiyoda-ku

Tokyo 100

Tel: 81-3-3502-811

Fax: 81-3-3502-8766

Korea

In 1997, Korea was the United States' fifth largest export market overall and the fourth largest for agricultural products. Merchandise trade between the United States and Korea totaled \$48.3 billion, compared with \$49.2 billion for 1996. U.S. exports to Korea in 1997 were \$25.1 billion - a 5.7 percent drop from the 1996 figure of \$26.6 billion. U.S. imports from Korea in 1997 were \$23.2 billion - a 2.2 percent increase from the 1996 figure of \$22.6 billion. In 1997, the U.S. merchandise trade surplus with Korea was \$1.9 billion, down by more than 50 percent from the \$4.0 billion surplus in 1996.

Typical problems encountered when exporting to Korea include:

1. Import licensing system: Most imported goods no longer require approval, but some tariff line items (mostly agricultural and fishery products) are restricted for import; that is, they are subject to quotas or TRQs with prohibitive over-quota rates.
2. Delays in customs clearance: Most agricultural products require less than three to four days to clear customs, while in Korea, import clearance typically still takes two to four weeks (except for perishable fruits and vegetables, which take a maximum of five days), and sometimes up to two months.
3. Government regulations that delay import clearance and add costs: Korean Ministry of Health and Welfare (MHW), including its Korea Food and Drug Administration (KFDA), and the Ministry of Agriculture and Forestry (MAF), including its National Plant Quarantine Service (NPQS) and National Animal Quarantine Service (NAQS), account for the greatest delays. These departments share the responsibility for administering Korea's food-related laws and regulations, which include requirements

for ingredient listing by percentage and manufacturing process information, phytosanitary rules, and standards and conformity assessment procedures (sampling, inspection, and testing) in the Korean Food and Food Additives Codes.

4. Burdensome labeling requirements: Korea recently proposed expanding its domestic price labeling law to include imported products. This regulation, to be implemented April 1, 1998, requires that labels on imported products show the import price (CIF value plus duty) in Korean *won* and be updated every three months to account for exchange rate fluctuations.
5. Administrative delays: Korean Customs Service may suddenly change the customs classification for products and reject customs clearance forms on administrative grounds (wrong print, erasures).

Tariffs: Single column tariff; where no rate is shown, use the nearest preceding rate. Tariffs are applied on the CIF value. Value Added Tax of 10% applied on the CIF + duty value. Korea bound 92 percent of its tariff line items in the Uruguay Round negotiations. Korea's average tariff was 8.44 percent in 1997, and 8.47 percent in 1998. Korea's tariffs on all agricultural products, except rice (HS 1006), are bound.

Duties still remain very high on a large number of high-value agricultural and fishery products. U.S. firms in a number of sectors continue to report that the combination of current tariffs and value-added taxes for agricultural and manufactured products are often sufficient to either keep imports out of the Korean market or to make their prices uncompetitive. The current posted tariff rate for all dried seafood products is 20%, however, other impediments to market entry may force this higher.

Customs administration officer for Korea:

Mr. Chol-Soo Kim,
Director of International Cooperation Division
Korea Customs Service
71 Nonhyon-dong, Kangnam-gu
Seoul, 135-702
Fax: 82-2-512-2376

Import Statistics: Year-to-date import figures show a substantial increase in import volumes with a corresponding decrease in value. U.S. seafood exports to Korea are declining and there is a rapid rise of imports from the People's Republic of China and Vietnam. See figures below for Korea's import of dried fish product:

HSK 305 Fish (dried, salted, in brine or smoked)

Imports by Country – Unit: US\$1000, %, kg.

	1996		1997	
	Value	Weight	Value	Weight
Total:	\$10,849	1,396,766	\$9,166	1,531,890
PRC (#1)	\$2,907	518,593	\$5,736	1,038,839
Taiwan (#2)	\$651	72,000	\$1,039	56,400
Vietnam (#3)	\$31	350	\$540	182,991
Norway (#4)	\$566	38,802	\$471	32,842
USA (#18)	\$33	2,016	\$9	609

Top Importers of Dried Fish:

Myungsin Aquatics Co., Ltd., Tel: (02)-407-4549 Seak, Do-Kyung, President

Jungang Dried Fish Company, Tel: (051)-414-8495 Lee, Duk-Hwan, President

Hae In Mulsan Co., Ltd., Tel: (051) 255-7684 Son, Im-Rak, President

S.I. Trading Corporation, Tel: (02) 777-3836 Sung, Ki-Rong, President

Packaging: There is no standard size for packaging. Unlike the other food processing industries, packaging for dried fishery products has not been developed. Packaging sizes are not standardized. Only some hypermarkets (warehouse type discount stores), department stores and exporters use their own consumer packages for dried fish. Usually, dried fish products are packed in paperboard or cardboard and retailed in plastic sacks. Folding cartons and paperboard boxes are used extensively as the container package in the food industry.

The photograph below provides a good representation of a typical dried fish product found in Korea:



Consumer packaging is generally in square cartons and square vinyl wrappings. Seaweed is packaged in cylindrical plastic containers. Packaging sizes for dried squid and shrimp range from 50g to 100g.

Example of plastic packaging (retail display) – Korean product



The most popular size of paperboard used for dried fishery by the fishery cooperatives is 73x43x40. Following are typical packaging forms: Alaska pollock packaged in plastic sacks, dried anchovy in paperboard, dried anchovy in 3kg box for the consumer and squid in vacuum plastic package and paperboard box.

Item	Unit	Wholesale	Retail
Dried Anchovy	1kg, 2kg, 3kg	Paperboard	Plastic Sack/ Paperboard
Dried Cuttlefish	10 Heads	Paperboard/ Plastic Sack	Cardboard
Dried Laver	100 sheets (220mm x 250mm)	Paperboard/ Cardboard	Plastic Sack/ Paperboard
Dried Seaweed	10 sheets (270mm x 700mm)	Paperboard/ Cardboard	Plastic Sack
Dried Shrimp	1kg, 2kg, 3kg	Paperboard/ Cardboard	Plastic Sack/ Paperboard

Singapore

The Port of Singapore - the world's busiest in terms of shipping tonnage - is key to its growing prosperity and continued economic health. Because of its port, Singapore acts both as the trading and distribution hub for the rapidly expanding economies of Southeast Asia, as well as the major transshipment point linking the region to the rest of the world.

Of the countries studied in this report, Singapore was unique in that it is not a major manufacturing site for dried fish products. Most dried fish products available in Singapore markets are imported from other Asian countries in the region. Major exporters to Singapore for dried fish are Japan and China (in that order). Other imports from Malaysia, Indonesia, Thailand, and Vietnam are shipped in bulk in plastic-lined cardboard boxes.

Tariff Rate: Single column tariff applied on the CIF value; if the column is blank, the tariff rate is zero. Value added tax of 3% is applied on the CIF plus duty. Singapore is virtually a free-trade port. There are no duties on most imported items (except tobacco and alcohol).

Customs administration officer for Singapore:

Mr. K. Chandran, Director Revenue
Customs and Excise Department
55 Newton Road, #10-01
Revenue House
Singapore 307987
Fax: 65-250-8663

Packaging: All packaged food must bear a label describing the product. The label can either be marked or securely attached in a prominent position on the package. Most food purchases are made at

wet (“hawker”) markets (70% of all purchases), convenience stores and supermarkets. Snack foods and convenience foods are a growing market.

Import Regulations: Primary Product Department’s (PPD) Import Control Section (ICS), Veterinary Public Health & Food Supply Division, is responsible for regulating the imports of meat, fish, fresh fruits and vegetables. Importers must be registered or licensed by PPD. Fish & fishery products (includes finfish, crustaceans and mollusks): \$80.00 annual license fee. Importers must be registered under the Business Registration Act or incorporated under the Companies Act. A copy of an up-to-date business profile print-out from the Registry of Company and Business is required at the time of registration/licensing. Importers must hold a GIRO account for payment of fees.

Requirements for Imported Consignments: For fish and fishery products, the fee is \$3.00 per declaration approved. Importers should submit the following supporting documents for approval:

1. Export health certificate (for high risk seafood which includes frozen oyster, cockle meat, cooked prawn/shrimp and crab meat)
2. Bills of lading/airway bills
3. Invoices

Every consignment of high-risk seafood will be detained for inspection and testing.

China

U.S. merchandise exports to China in 1997 were \$12.8 billion, an increase of 6.9 percent from 1996. China was the United States' fourteenth largest export market in 1997. U.S. imports from China in 1997 were \$62.6 billion in 1997, an increase of \$11.1 billion (21.4 percent) from 1996. In 1997, the U.S. merchandise trade deficit with the People's Republic of China was \$49.7 billion, an increase of \$10.2 billion from 1996 and an approximate 50 percent increase since 1995, when the merchandise trade deficit with China stood at \$33.8 billion.

Tariff rates: U.S. products subject to duty in Column I (Most-Favored Nation); duty applied on the CIF value. Generally, a value added tax of 18% is applied on the CIF plus duty value. The current duty rate for dried fish is 30% plus 17% value added tax.

In prior years, China's tariffs have been so high as to discourage imports. In 1996, China lowered its average import tariff from 42.1 percent to 23 percent, and on October 1, 1997, further lowered the average import tariff to 17 percent. Customs administration officer for China:

Mr. Yu-Lin Liu, Director

Department of International Affairs

Customs General Administration

No. 6 Jian Guomen Nei Street

Beijing PRC 100730

Fax: 86-10-6519-5394

In addition to high tariff rates, the duties are charged unpredictably and import quotas are a major barrier. Foreign companies are essentially barred from doing wholesale business in China. The U.S. Department of Agriculture trade office in Shanghai recommends working with a seafood company which has an import quota license. In this case, there is no import tariff paid. The major import quota

license holders are government owned, but more private businesses are entering importing using the state-owned license.

Packaging: Chinese law requires that all food products (local and imported) must have labels in Chinese stating the type of food, brand name, trademark, manufacturer name and address, country of origin, ingredients, date of production and sell by date. Most fresh food purchases are made at wet markets on a daily basis; frozen and prepared foods are purchased at supermarkets. With some products, packaging and advertising are not significant factors in consumer choice. Proof of quality and safety is most important. The U.S. Department of Commerce advises exporters to work directly with the customer on packaging preferences.

Sample packaging and merchandising of Chinese Dried Fish Products:

(Note: these photographs were taken from a Chinese market in Vancouver, Canada specializing in Chinese products)





Taiwan

For four and a half decades, Taiwan has maintained rapid economic growth and macroeconomic stability. Annual economic growth during this period averaged 8.5 percent. In 1996, real gross domestic product (GDP) increased 5.7 percent; it was expected to grow by 6.6 percent in 1997. Per capita GDP was US\$12,732 in 1996. As of August 1997, Taiwan held US\$88 billion in foreign exchange reserves, the third largest in the world (after Japan and the PRC). Prices rose 3.1 percent in 1996 and were expected to rise 2.6 percent in 1997. Of course, the current monetary crisis in the region has interfered with continued economic growth.

Tariff rates: U.S. products subject to tariffs in Column II (Most-Favored Nation); if no rate is shown in Column II, use the Column I rate. Tariffs are applied on the CIF value. Port charge of 0.5% is applied on the CIF value for shipments by sea. Value added tax of 5% is applied on the CIF plus duty value (plus port charge, if applicable). Import tariffs vary from 17.5% to 42.5% for various species of dry fish, based on CIF value, ad valorem.

Customs administration officer for Taiwan:

Ms. Lillian L.-Y Hsieh, Section Chief

Department of Customs Administration

Ministry of Finance

2 Ai-Kuo West Road

Taipei

Fax: 886-2-394-1479

Import regulations: Importation of dried fish is subject to inspection at random by Taiwan's Bureau of Commodity Inspection and Quarantine (BCIQ) at the port of entry. No health certificate is required for importation of dried fish. Imported processed food products, including seafood products, which contain artificial food additives are subject to tolerance levels and acceptable uses of food additives as issued by Taiwan's Department of Health (DOH). Importers should confirm health regulations with the Taiwan importer in advance to ensure no problems occur at the port of entry.

Packaging: Dry fish are sold as a wide range of packaged and bulk products in several different retail locations, such as traditional markets, hypermarkets/ supermarkets, convenience stores, transportation centers, and recreation areas. The most diverse variety can be found in the traditional market where most products (80%) are sold in open bin format by weight. Packaged dry fish products are also sold in the wet market. Supermarkets, convenience stores, and other retail stores carry large selections of packaged products. Convenience stores, transportation centers, and other recreation areas sell dried fish with smaller retail packages as snacks.

Trade Associations:

Jack Huang, Deputy Secretary General - Importers & Exporters Association of Taipei

(IEAT) (10,000 members)

350 Sung Chiang Road, Taipei, Taiwan

Tel: (886-2) 2581-3521 ext. 400

Fax: (886-2) 2542-3704

William Huang, Chairman

Taiwan Import Food Association

46 Wu Chuan Road, Wu Ku Industrial Zone

Taipei, Taiwan

Tel: (886-2) 2299-3850

Fax: (886-2) 2299-3872